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CROWLEY, MILNER AND COMPANY DETROIT



ANNUAL REPORT
JANUARY 31, 1944

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CORP. FILE

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President

JAY D. RUNKLE
Vice-President and General Manager

JAMES H. CHAMBERLAIN
Secretary and Treasurer

WILLIS B. MANCHESTER
Assistant Secretary

LEO G. COLE
Assistant Treasurer

Board of Directors

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JAMES H. CHAMBERLAIN	LOUIS C. WURZER
W. THOMAS ZURSCHMIEDE	

To the Stockholders of
CROWLEY, MILNER AND COMPANY

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The consolidated balance sheet and statements of profit and loss and surplus for the year ended January 31, 1944, are presented herewith. For purposes of comparison, the corresponding statements for the previous year are also shown.

Net profit for the year ended January 31, 1944, amounted to \$700,307 after provision of \$1,021,500 for federal taxes on income and provision of \$50,000 for post-war adjustments, including future market declines in inventory. The provision of \$1,021,500 for federal taxes on income includes excess profits tax of \$616,500 computed on the invested capital method, whereas in the previous year no excess profits tax was payable because of the carry-over of operating losses and unused excess profits credits from previous years. If federal taxes on income had been determined without the benefit of these carry-overs, such taxes would have been approximately \$200,000 higher for the year ended January 31, 1944, and approximately \$345,000 higher for the year ended January 31, 1943. There are no further unused excess profit credits or operating losses of prior years to be carried forward to income tax returns for future years. For the year ending January 31, 1945, the excess profits credit for equity invested capital amounts to approximately \$530,000 on the basis of the present federal income tax laws.

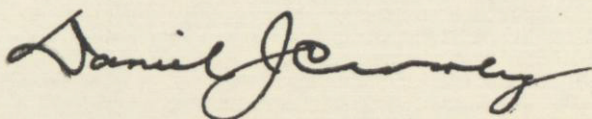
As of January 31, 1944, our merchandise inventory on hand and in transit amounted to \$2,502,666 as compared with \$2,246,117 at the same date a year ago. Our customary analysis of the age of merchandise on hand shows that 3.3% was represented by merchandise over a year old which compares with a percentage of 3.5% for the previous year. The percentage of sales increase for the year amounted to 13.3% which compares with an increase of 8.4% for all department stores in the City of Detroit as reported by the Federal Reserve Bank of Chicago. Sales for the year ended January 31, 1944, were approximately 68% ahead of the annual sales of three years ago.

During the past year a reduction of \$133,500 was made in the principal amount of the outstanding 5½% debentures due May 1, 1946. Cash dividends of \$10.50 per share were paid during the year just ended to apply on the accumulated dividends on the prior preference stock. These payments were the first made since November 25, 1938, and discharged the accumulated dividends for the last half of 1938 and for the years 1939, 1940, and 1941. The latest dividend was paid as of January 1, 1944, and after this distribution there remained unpaid dividends of \$6.00 per share representing the accumulated requirements for the calendar years 1942 and 1943.

Notwithstanding the reduction of \$133,500 in outstanding debentures and the payment of dividends on prior preference stock of \$326,760, working capital increased in the amount of \$471,437 during the year ended January 31, 1944.

It is with deep regret that I report the death of Mr. James H. Crowe, Vice-President and Secretary, who passed away on December 30, 1943, at the age of 73. Mr. Crowe had been associated with the Company in executive capacities since its organization.

Yours very truly,



President.

April 3, 1944.

Consolidated Balance Sheet, January 31
CROWLEY, MILNER AND C

	January 31	
ASSETS	1944	1943
CURRENT ASSETS		
Cash on hand and on deposit.....	\$1,314,560.87	\$ 754,154.93
United States Treasury Certificates of Indebtedness—at cost plus accrued interest.....	1,001,458.32	1,002,794.19
War Savings Bonds and Stamps for resale.....	49,636.00	22,153.00
Accounts receivable:		
Deferred payment accounts.....	\$ 687,237.79	\$ 917,217.66
Charge accounts	457,829.77	513,675.19
Debit balances against vendors (less reserve of \$5,000.00)....	47,620.41	28,900.19
	<u>\$1,192,687.97</u>	<u>\$1,459,793.04</u>
Less reserve	125,000.00	150,000.00
	<u>\$1,067,687.97</u>	<u>\$1,309,793.04</u>
Inventory on hand and in transit—at lower of cost or market (after deducting reserve of \$90,000.00 at January 31, 1944, and \$65,000.00 at January 31, 1943) as determined by retail inventory method	2,502,666.91	2,246,117.65
TOTAL CURRENT ASSETS	\$5,936,010.07	\$5,335,012.81
INVESTMENTS AND OTHER ASSETS		
Miscellaneous accounts, investments, and insurance deposits, less reserves of \$5,000.00 at January 31, 1944, and \$12,277.12 at January 31, 1943.....	\$ 38,495.72	\$ 51,443.87
Post-war refund of excess profits tax—estimated.....	15,100.00	—0—
Real estate not used in operations—at cost, less reserves for depreciation of \$30,724.11 at January 31, 1944, and \$29,098.55 at January 31, 1943, and reserve of \$125,000 for revaluation	52,383.64	54,009.20
TOTAL INVESTMENTS AND OTHER ASSETS	\$ 105,979.36	\$ 105,453.07
PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS—at cost, less depreciation and amortization		
Land	\$ 90,000.00	\$ 90,000.00
Building on owned land.....	\$ 200,000.00	\$ 200,000.00
Buildings and improvements on leased land.....	4,573,465.60	4,554,898.04
Furniture and fixtures, and delivery equipment.....	868,438.66	885,823.85
	<u>\$5,641,904.26</u>	<u>\$5,640,721.89</u>
Less reserves for depreciation and amortization.....	3,825,278.81	3,626,063.20
	<u>\$1,816,625.45</u>	<u>\$2,014,658.69</u>
TOTAL PROPERTIES	\$1,906,625.45	\$2,104,658.69
LEASEHOLDS AND GOOD WILL	1.00	1.00
DEFERRED CHARGES		
Supply inventory, insurance, and other prepaid expenses.....	157,771.38	141,654.13
Note A—Sinking fund provisions of the debenture issue require annual deposits equal to 25% of net earnings after deduction of dividends on prior preference stock. Such requirement for the year ended January 31, 1944, was met during the year. Note B—Unpaid cumulative dividends on prior preference stock amounted to \$6.00 per share, or a total of \$186,720.00 at January 31, 1944. Note C—Surplus at January 31, 1944, was restricted in the amount of \$266,317.00 representing the par value of capital stock held in treasury. The Company has agreed that it will not pay or declare any dividends which would reduce its net current assets below \$1,810,500.00, or which would reduce the ratio of current assets to current liabilities to less than two and one-half to one; also that no dividends will be declared on preferred stock or common stock until a minimum annual retirement of \$150,000.00 of debentures (or prior preference stock, after the retirement of all debentures) is effected through the sinking fund provisions.		
	<u>\$8,106,387.26</u>	<u>\$7,686,779.70</u>

y 31, 1944, and January 31, 1943

COMPANY AND SUBSIDIARY

	January 31	
	1944	1943
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable:		
Trade accounts	\$ 652,459.74	\$ 601,806.76
Salaries, wages, and commissions.....	244,085.18	189,234.92
Rent	—0—	68,030.60
Taxes, other than taxes on income.....	75,873.58	70,615.41
Employees' deposits for purchase of War Savings Bonds.....	16,226.26	20,991.11
Income taxes withheld from pay rolls.....	34,147.76	5,880.56
	<u>\$1,022,792.52</u>	<u>\$ 956,559.36</u>
Accrued interest on 5½% Sinking Fund Debentures.....	12,698.13	14,533.75
Federal taxes on income—estimated.....	\$1,052,862.66	\$ 385,000.00
Less United States Treasury Savings Notes, Series C—at cost plus accrued interest.....	903,075.00	300,375.00
	<u>\$ 149,787.66</u>	<u>\$ 84,625.00</u>
5½% debentures, due November 1, 1937, including accrued interest (\$495.00) to maturity.....	2,495.00	2,495.00
TOTAL CURRENT LIABILITIES	\$1,187,773.31	\$1,058,213.11
5½% SINKING FUND DEBENTURES—due May 1, 1946		
Original issue	\$1,810,500.00	\$1,810,500.00
Less: Retired	\$ 887,000.00	\$ 524,000.00
Purchased and held in treasury for future sinking fund requirements—Note A	—0—	229,500.00
Held for exchange for debentures due November 1, 1947	1,000.00	1,000.00
	<u>\$ 883,000.90</u>	<u>\$ 754,500.00</u>
OUTSTANDING DEBENTURES	\$ 922,500.00	\$1,056,000.00
RESERVE		
For post-war adjustments, including future market declines in inventory	\$ 350,000.00	\$ 300,000.00
CAPITAL STOCK AND SURPLUS		
Capital stock:		
Prior preference stock, 6% cumulative, par value \$50.00 per share (entitled upon liquidation or redemption to \$60.00 per share, equal to \$1,867,200.00 for the shares outstanding, plus unpaid cumulative dividends)— Note B:		
Authorized (including 20 shares reserved for ex- change for debentures due November 1, 1937).....	36,210 shares	
Issued	36,190 shares	\$1,809,500.00
Less in treasury.....	5,070	253,500.00
Outstanding	31,120 shares	<u>\$1,556,000.00</u>
Preferred stock, 6% non-cumulative, par value \$100.00 per share (entitled upon dissolution to \$100.00 per share, plus undeclared dividends at 6% per annum since July 1, 1935, equal to \$145.50 per share or \$721,534.50 for the shares outstanding; redeemable, provided all prior pref- erence stock has been retired, at \$120.00 per share prior to August 7, 1944, and at par value thereafter):		
Authorized and outstanding.....	4,959 shares	495,900.00
Common stock, par value \$1.00 per share:		
Authorized and issued.....	352,250 shares	\$ 352,250.00
Less in treasury.....	12,817	12,817.00
Outstanding	339,433 shares	<u>\$ 339,433.00</u>
TOTAL CAPITAL STOCK	\$2,391,333.00	\$2,391,333.00
Surplus—Note C:		
Capital surplus	2,410,246.72	2,410,246.72
Earned surplus—since February 1, 1939.....	844,534.23	470,986.87
TOTAL CAPITAL STOCK AND SURPLUS	\$5,646,113.95	\$5,272,566.59
	<u>\$8,106,387.26</u>	<u>\$7,686,779.70</u>

CONSOLIDATED PROFIT AND LOSS STATEMENT
CROWLEY, MILNER AND COMPANY AND SUBSIDIARY

Years ended January 31, 1944, and January 31, 1943

	Year ended January 31 1944	1943
Net sales (including sales of leased departments).....	\$19,206,077.54	\$16,942,036.16
Cost of merchandise sold, workroom costs, and buying and occupancy expenses	\$14,196,356.37	\$12,596,601.67
Publicity, selling, and administrative expenses, less deferred payment account fees.....	3,205,324.14	3,073,903.69
Provision for loss on bad accounts, less recoveries.....	—0—	1,600.34
	<u>\$17,401,680.51</u>	<u>\$15,672,105.70</u>
OPERATING PROFIT	\$ 1,804,397.03	\$ 1,269,930.46
Other income:		
Discount on debentures purchased.....	\$ 2,466.25	\$ 11,815.00
Recovery on closed bank claim.....	7,277.12	17,722.88
Recoveries on accounts previously charged off, less provision for loss on bad accounts.....	24,236.81	—0—
Miscellaneous	34,656.66	27,025.70
TOTAL OTHER INCOME	\$ 68,636.84	\$ 56,563.58
	<u>\$ 1,873,033.87</u>	<u>\$ 1,326,494.04</u>
Other deductions:		
Loss on equipment abandoned.....	\$ 11,307.61	\$ 10,465.32
Interest on debentures.....	54,442.65	63,954.59
Other interest expense.....	523.60	3,469.57
Expenses of property not used in operations, less income....	30,580.04	5,244.01
Miscellaneous	4,372.61	3,872.35
TOTAL OTHER DEDUCTIONS	\$ 101,226.51	\$ 87,005.84
PROFIT BEFORE TAXES ON INCOME	\$ 1,771,807.36	\$ 1,239,488.20
Federal taxes on income—estimated—Note A:		
Normal income tax, surtax, and declared value excess-profits tax	\$ 405,000.00	\$ 385,000.00
Excess profits tax, after deducting credit of \$53,400.00 for debt retirement and post-war refund of \$15,100.00.....	616,500.00	—0—
TOTAL TAXES ON INCOME	\$ 1,021,500.00	\$ 385,000.00
	<u>\$ 750,307.36</u>	<u>\$ 854,488.20</u>
Provision for post-war adjustments, including future market declines in inventory.....	50,000.00	175,000.00
NET PROFIT	<u>\$ 700,307.36</u>	<u>\$ 679,488.20</u>
Provision for depreciation of buildings and equipment and for amortization of leasehold improvements, included above....	\$ 262,756.48	\$ 259,139.60

Note A—Federal taxes on income have been computed after carry-over of the remainder of unused excess profits credits and operating losses from previous years which reduced estimated taxes on income for the year ended January 31, 1944, by \$200,000.00 and for the year ended January 31, 1943, by \$345,000.00.

CONSOLIDATED STATEMENT OF SURPLUS

CROWLEY, MILNER AND COMPANY AND SUBSIDIARY

	Year ended January 31	
	1944	1943
CAPITAL SURPLUS (after deduction of deficit of \$619,706.53 at February 1, 1939)		
Balance at beginning of year.....	\$ 2,410,246.72	\$ 1,052,514.72
Credit arising from change of no par value common stock, stated value \$5.00 per share, into common stock, par value \$1.00 per share.....		1,357,732.00
Balance at end of year.....	<u>\$ 2,410,246.72</u>	<u>\$ 2,410,246.72</u>
EARNED SURPLUS—since February 1, 1939		
Balance (deficit*) at beginning of year.....	\$ 470,986.87	\$ *208,501.33
Net profit for the year.....	700,307.36	679,488.20
	<u>\$ 1,171,294.23</u>	<u>\$ 470,986.87</u>
Cash dividends paid on prior preference stock—\$10.50 per share	326,760.00	
Balance at end of year.....	<u>\$ 844,534.23</u>	<u>\$ 470,986.87</u>

See Notes B and C to consolidated balance sheet.

Board of Directors,
Crowley, Milner and Company,
Detroit, Michigan.

We have examined the consolidated balance sheet of Crowley, Milner and Company and its wholly-owned subsidiary, Crowley, Milner Building Company, as of January 31, 1944, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of Crowley, Milner and Company and its subsidiary at January 31, 1944, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Detroit, Michigan
March 21, 1944

ERNST & ERNST
Certified Public Accountants

